

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

The Local Choice (TLC) is pleased to provide your health care program renewal for July 1, 2005 (October 1, 2005 for certain school groups).

As health insurance costs continue to rise and the market evolves, we must alter our product mix to remain competitive while continuing to offer quality health care products. While benefits, deductibles and copayments will change only slightly for our Key Advantage Expanded product, we will introduce three totally new plans that offer a wide range of benefits and cost options. Groups covered under our Key Advantage, Cost Alliance with Dental, KeyShare Expanded, KeyShare and Value Alliance with Dental products may change to Key Advantage Expanded or may choose from our new menu of plans. Claims administration will continue through Anthem Blue Cross and Blue Shield, ValueOptions, Inc., Medco Health Solutions, Inc. and Delta Dental Plan of Virginia.

Employers will no longer be required to choose between **Standard Package** and **Value Package** products, and depending on group size, may now select a combination of plans. The fully insured HMO option from Kaiser Permanente is still available in Northern Virginia, Washington D.C., and parts of Maryland. If applicable to your area, information on this plan and service area is included for your review.

The TLC program continues to enjoy significant growth. Today, TLC has 234 member groups with over 42,000 employees, retirees and family members covered by our plans. The new plans have been designed to allow us to continue to expand and assist political subdivisions throughout Virginia with their health insurance needs.

### **EMPLOYER-SPECIFIC PROGRAM DESIGN**

- If an employer changes plans during the 2005-2006 renewal process, we will allow a 4<sup>th</sup> quarter deductible carry over for your covered members. Deductible and out-of-pocket accumulation periods will run from July through June. Provided in this package are the monthly rates and benefit outlines for all TLC plans available in your area. Groups with 25 or fewer eligible employees may select one self-insured plan option or the Regional HMO, if available. Groups with between 25 and 100 eligible employees may select two plans, one of which may be the Regional HMO, if available. Groups larger than 100 may select any two self-funded plans as well as our Regional HMO, if available.
- At renewal, an employer may change its definition of eligible employees and retirees so long as the change coincides with your published personnel practices. Written notification of any changes must be submitted to the Department of Human Resource Management (DHRM) with your Renewal Employer Data Sheet. DHRM will review the changes for compliance with state regulations. These definitions must be completed on your Renewal Data Sheet.

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

- Retiree coverage is available but not automatically provided. A local employer choosing to offer retiree coverage for the first time must provide a written request to DHRM along with an approved resolution from its Board or Governing Body. All groups in our 49 and under pool receive rates that automatically incorporate blended premiums for early retirees, if coverage is offered. In a blended program, active employees and Retirees Not Eligible for Medicare will have the same rates. If a local employer, with 50 or more participating employees, offers coverage to Retirees Not Eligible for Medicare, they may blend that premium with the active employee premium or elect stand-alone rates. With stand-alone rates, Retirees Not Eligible for Medicare pay two times the active employee rates. Please note that once a premium is blended, it may not revert to stand-alone.
- The Regional HMO offers only blended rates to Retirees Not Eligible for Medicare. **Coverage for Medicare Eligible Retirees is not available through the HMO plan.** Only groups that offer our statewide self-funded plans may offer this coverage. Coverage must be offered to Retirees Not Eligible for Medicare in order for a group to offer coverage to Medicare Eligible Retirees.

### CHOICE OF PLANS – STATEWIDE AND REGIONAL

TLC offers one of the most comprehensive family of plans available in the state. Most employers may choose from several combinations of the following plans:

#### **STATEWIDE PLANS:**

Self-funded medical plans are administered by Anthem Blue Cross and Blue Shield. Dental coverage is administered by Delta Dental of Virginia. Behavioral Health and our Employee Assistance program are administered by ValueOptions, Inc. and pharmacy coverage is administered by Medco Health Solutions, Inc. In all statewide self-funded plans admission to a hospital for an inpatient stay must be approved in advance, or within 48 hours in the case of an emergency or the birth of a child. The plans do not require specialist referrals, but you are encouraged to have Behavioral Health treatments preauthorized to assure medical necessity and that providers are in network.

#### **Statewide Employee Plan Options**

You may choose from among Key Advantage Expanded, Key Advantage 200, Key Advantage 300 and Key Advantage 500. All four statewide plan options are preferred provider organization (PPO) plans offering routine medical care and specialist care without referral requirements. In addition, the plans include preventive medical care, immunizations, outpatient three-tier prescription drug, behavioral health and EAP services, and preventive, primary and major restorative dental benefits with orthodontia. The vision program is available only with Key Advantage Expanded.

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

### ○ **Medical Services**

While members receive the highest level of benefits when visiting an in-network provider, all statewide plans also provide out-of network coverage for covered medical services. Key Advantage Expanded offers out of network services at a 25% reduction in reimbursement while Key Advantage 200, 300 and 500 provide out-of-network services with additional deductibles and/or coinsurance. In all statewide plans, the Anthem Blue Cross and Blue Shield BlueCard PPO network allows for in-network care outside of Virginia, without penalty, through BlueCard participating providers.

### ○ **Behavioral Health Services**

As with medical services, members receive the highest level of benefits when visiting an in-network provider for behavioral health services. Key Advantage Expanded offers out of network services at a 25% reduction in reimbursement while Key Advantage 200, 300 and 500 provide out-of-network services with additional deductibles and/or coinsurance. Although not required, members are encouraged to contact ValueOptions for prior authorization of benefits to verify medical necessity and avoid a 25% reduction in plan payment or increased deductibles and coinsurance for services received outside the network. Under the EAP, members receive four visits per incident at no cost. The Employee Assistance Program (EAP) is only available in network through ValueOptions, Inc.

### ○ **Dental and Outpatient Prescription Drug Benefits**

Preventive, primary and major restorative dental benefits with orthodontia are provided through Delta Dental Plan of Virginia, while the outpatient prescription drug program is administered by Medco Health Solutions, Inc. You are not required to use an in-network provider for dental or prescription drug services. However, members pay less when using an in-network dentist or pharmacy. Non-network providers may balance bill members and may not offer negotiated discounts. Both Medco and Delta Dental offer national networks of providers.

### **Statewide Medicare Retiree Plans**

For groups currently offering coverage to retirees eligible for Medicare, the Medicare Complementary, Advantage 65 and Advantage 65 with Dental/Vision plans continue to be available. However, groups adding retiree benefits to their program for the first time may offer only Advantage 65 or Advantage 65 with Dental/Vision. A local employer may also add Dental/Vision coverage to the current Advantage 65 contract. The home delivery prescription drug copayments have been changed in the Advantage 65 and Medicare Complementary plans to mirror the copayments under the four Key Advantage plans.

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

## 2005/2006 Program Overview and Instructions

**It is important to remember that a local employer may select only one plan for Medicare eligible retirees. These plans are available if your active employees are enrolled in a statewide self-funded plan and you elect to offer coverage to both Retirees Not Eligible for Medicare and Retirees Eligible for Medicare.**

### **Advantage 65**

Advantage 65 provides supplemental health benefits for your Medicare eligible retirees. Outpatient three-tier drug and out of country major medical benefits are included in the plan.

### **Advantage 65 with Dental/Vision**

As a group option, you may elect to add Dental/Vision coverage to Advantage 65. This product provides Advantage 65 coverage plus dental and vision coverage. Anthem Blue Cross and Blue Shield administers both dental and vision coverage, as outlined below:

**Dental:** The plan pays 100% of Allowable Charge (AC) for diagnostic and preventive services and 80% of AC for primary services. Up to \$1200 per member per plan year is payable.

**Vision:** Once every 24 months, the plan pays up to \$40 for one routine eye exam, up to \$75 for one pair of frames, up to \$50 per pair of single lenses, up to \$75 per pair of bifocal lenses, up to \$100 per pair of trifocal lenses, and up to \$100 for contact lenses.

### **Three Tier Prescription Drug Coverage for all Statewide TLC and Medicare Supplemental Plans**

Prescription drugs are divided into three-tiers or categories. You pay the appropriate copayment by tier. To determine in which tier a prescription drug falls, go to [www.medco.com](http://www.medco.com). The chart below illustrates drug copayments.

	<b>First Tier Copayment Typically Generic Drugs</b>	<b>Second Tier Copayment Lower Cost Brand Name Drugs and Some Generic Drugs</b>	<b>Third Tier Copayment Typically Higher Cost Brand Name Drugs</b>
Participating Retail Pharmacy Per 34-day supply *	\$15	\$20	\$35
Home Delivery Pharmacy Up to 90-day supply	\$30	\$40	\$70

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

The drug program is mandatory generic. If you receive a brand name drug when a generic equivalent is available you will be responsible for the applicable copayment plus the difference between the allowable charge for the generic equivalent and the brand name drug.

### **REGIONAL PLAN:**

#### **Regional HMO service area and plan available:**

- Northern Virginia – Kaiser Permanente (HMO)

A more detailed outline of the service area and benefits may be found in the Kaiser HMO brochure. Mental illness and substance abuse, prescription drug and dental coverage are included in the Kaiser HMO plan.

### **EMPLOYER OFFERINGS**

Larger employers may offer employees one plan or a combination of plans. You may choose from:

- |  |
|--|
| <ul style="list-style-type: none"><li>• Key Advantage Expanded</li><li>• Key Advantage 200</li><li>• Key Advantage 300</li><li>• Key Advantage 500</li><li>• Regional HMO Plan</li></ul> |
|--|

- Groups with 25 or fewer eligible employees may offer only one benefit plan.
- Groups with 26 to 100 eligible employees may offer up to two plan options.
- Groups with more than 100 eligible employees may offer up to two self-funded plan options plus the regional HMO, if available in your area.

### **COMMONHEALTH**

The CommonHealth wellness program is a value-added benefit available at no cost to all TLC member groups. (A small charge may be made to the employee for participation in various programs.) CommonHealth provides medical screenings, health risk appraisals, Baby Benefits (pre-natal risk management), weight loss, and stress management as well as other health and wellness programs. Since wellness programs often can help control claims costs, we strongly encourage you to take advantage of this program. The CommonHealth program is provided and administered by Continental Health Promotion, Inc. and all employees and their dependents covered by any TLC program are eligible to participate.

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

### **PREMIUM DEVELOPMENT**

Rates for the self-funded plans are based on the following rating pools in addition to group demographics.

#### **Rating Pools**

- Community or pooled - group size of 1 through 49 employees

- Experience Rated

<b><u>Group Size</u></b>	<b><u>Credibility Factor</u></b>
◆ 50 - 99	41% of the group's medical experience
◆ 100 - 149	58% of the group's medical experience
◆ 150 - 199	71% of the group's medical experience
◆ 200 - 249	82% of the group's medical experience
◆ 250 - 299	91% of the group's medical experience
◆ 300+	100% of the group's medical experience

- Experience rating applies to medical components only. Mental health and substance abuse, prescription drugs and dental claims are pooled, based on the combined experience of all current TLC groups, regardless of size.
- Other key medical components in your renewal include an annual trend factor of 13%. Medical attachment points are \$70,000 for groups with fewer than 300 participating employees and \$90,000 for groups with greater than 300 participating employees.
- Monthly employee plus one and family rates are calculated as a factor of the single employee rate. The relationship between the single, dual, and family rates remain the same as in the current plan year:  
single = 1, employee plus one = 1.85 X single rate, and family = 2.70 X single rate.
- The regional Kaiser HMO plan is pooled and fully insured by the carrier.

### **EMPLOYER CONTRIBUTION**

To protect the plan from adverse selection, in prior years, TLC groups were limited in their plan selections. Those electing multiple plans could satisfy minimum funding requirements by basing their minimum contribution on the least expensive product offered. In order to allow greater flexibility, groups may now select any combination of our plan offerings but minimum funding will be based on the un-weighted average single rate of the plans offered. For example if a group offers Key Advantage Expanded and Key Advantage 500, you would add the single rates for each and divide by two. The minimum requirement would then be 80% of the average single rate.

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

The required minimum employer contributions are:

Full Time Employees

- 80% of the average single employee premium rate
- 20% of the average additional dependent cost, if applicable \*

Part Time Employees

- 40% of the average single employee premium rate
- 10% of the average additional dependent cost, if applicable \*
- *If 75% of all eligible employees enroll, the dependent contribution requirement is waived.*

### **RENEWAL ACCEPTANCE**

To renew your coverage with TLC, complete the enclosed Employer Renewal Data Sheet and return it to TLC in the envelope provided. **DHRM must receive the completed forms by Friday, April 1, 2005.** The Department will consider an extension of this deadline only with your written request. **An extension of the response deadline does not eliminate or delay the 90-day notice requirement for termination of your program as outlined below.** You will receive a letter from DHRM confirming your renewal, benefits plans, premiums and employer contribution requirements.

### **RENEWAL ENROLLMENT PROCESS**

After DHRM has confirmed your renewal information, open enrollment materials may be ordered based on the benefit plans you have selected and your enrollment

**Open Enrollment meetings are critical to allow for employee changes and may be held at your convenience from April 1, 2005 through May 15, 2005.** Representatives from the carriers you select will be available to assist you with your renewal enrollment process, but you must contact them and make the appropriate scheduling arrangements. You should contact your Anthem representative or you may call (804) 354-2408. Kaiser may be reached at (301) 816-6871.

**All participants must complete a new enrollment form** and the selected carriers must receive completed Enrollment forms for individual changes by June 1, 2005. **If an eligible employee declines coverage, they must complete the wavier section of the Enrollment form.** For some school systems the deadline is September 1, 2005 for an October 1, 2005 renewal date.

### **TERMINATION**

For information on termination, please reference 1 VAC 55-20-160, 1 VAC 55-20-290 and 1 VAC 55-20-300 of the Virginia Administrative Code. According to these regulations, if you choose to terminate participation in The Local Choice Health Benefits program, DHRM must receive written notification at least 90 days prior to the date of termination. Please note that

# THE LOCAL CHOICE HEALTH BENEFITS RENEWAL

---

## 2005/2006 Program Overview and Instructions

the 90-day notification will not be extended by a request to extend the April 1, 2005 renewal deadline. A terminating The Local Choice group will receive notification of any adverse experience adjustments (AEA) within 90 days of the end of the plan year in which termination took place. You must make arrangements to pay any adverse experience adjustment within 31 days of receipt of the Adverse Experience Adjustment Notice. **Since AEA is an exact look back limit of liability, it cannot be accurately estimated.**

### **THE LOCAL CHOICE SUPPORT**

Your Anthem Blue Cross and Blue Shield and Kaiser HMO representatives are available to assist you with the details of your renewal. If you need support in the area of program benefits or policy administration, please contact Walter Norman, TLC Program Manager at (804) 786-6460 or Bill King, Senior Benefits Specialist at (804) 371-6211. You may also send inquiries by e-mail to [tlc@dhrm.virginia.gov](mailto:tlc@dhrm.virginia.gov).

Thank you for your continued support of The Local Choice program.